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Docket # E-01461A-15-0363

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## BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF TRICO  
ELECTRIC COOPERATIVE, INC., AN ARIZONA  
NONPROFIT CORPORATION, FOR A DETERMINATION  
OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT  
AND PROPERTY AND FOR INCREASES IN ITS RATES  
AND CHARGES FOR UTILITY SERVICE AND FOR  
RELATED APPROVALS.

DOCKET NO. E-01461A-15-0363

Final Brief of Robert B. Hall

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13 This brief:

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- 15 1) Hereby, reaffirms the need to eliminate "Lost Fixed Costs" as an accounting tool for rate setting, and
- 16 replace it with Bottom Line Accounting;<sup>1</sup>
- 17 2) Hereby, reaffirms need to eliminate Net Metering and replace it with Net Billing.<sup>2</sup>
- 18 3) Presents a corrected version of member bill increases due to TRICO's proposed charge rates,
- 19 4) Proposes a more fair and balanced charge rate.
- 20 5) Acknowledges TRICO's successful past supports for PVDG.

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**Corrected version of member bill increases due to TRICO's proposed charge rates**

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24 In their Initial Brief TRICO states that the "(proposed) Settlement has a modest impact".<sup>3</sup> This is arguable.

25 **Table 1** shows the calculated monthly bills as a function of the amount of kWhs consumed in a month for

26 two cases. The first case, corresponds to the Present TRICO charge rates, that includes a \$15.00 per month

27 *Basic Service Charge*, and a volumetric rate of \$0.1217/kWh, leading to an *average monthly bill* of

28 \$116.86/month calculated based on an average member monthly consumption of 837-kWhs. The second

29 case, corresponds to the Settlement-Proposed charge rates of a \$24.00 per month *Basic Service Charge*, a

30 volumetric charge rate of \$0.1129/kWh for monthly consumption levels less 801 kWhs, and \$0.1229/kWh

31 for consumption levels greater than 800-kWh, leading to an average monthly bill of \$118.87/month, a 1.7 %

32 increase in the *average* monthly bill, as indicated by TRICO.<sup>4</sup>

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<sup>1</sup> Docket #E-01461A-15-0363, Robert Hall Initial Brief (September 26, 2016), pp. 4-6.

<sup>2</sup> Ibid., page 7.

<sup>3</sup> Docket #E-01461A-15-0363, TRICO Initial Brief (October 5, 2016), page 18.

<sup>4</sup> Ibid., page 18

TRICO then indicates that a "residential Member using a **median** amount of 750-kWh will experience an increase of \$2.45, approximately 2.31-percent increase..."<sup>5</sup> The value of 750-kWh for the **median** monthly usage is incorrect. Using the Bill Frequency Analysis data,<sup>6</sup> it can be inferred that the correct **median** value is 607-kWh. Accordingly, using the **Table 1** results, it is seen that a residential Member using a **median** amount of 607-kWh will experience a monthly bill increase of \$3.66, approximately a 4.1-percent increase.

**Table 1**  
**Impact on Customer Bill due to increased Basic Fixed Rate and Inclined Block Rates**

INPUTS		Present	TRICO		
Charges	Units	TRICO Rate	Proposal		
		No Incln. Block	Inclined Block		
Basic Service Charge	(\$/Month)	15.00	24.00		
Energy Charge - tier 1 < limit	(\$/kWh)	0.1217	0.1129		
Inclining Rate Block Limit	(kWh)		800		
Energy Charge - tier 2 > limit	(\$/kWh)		0.1229		
OUTPUTS				Monthly Bill Increase	
	Monthly kWh Consumed	Monthly Bill	Monthly Bill	(\$)	(%)
	0	15.00	24.00	9.00	60.0%
	100	27.17	35.29	8.12	29.9%
	200	39.34	46.58	7.24	18.4%
25% of Members use less than:	292	50.54	56.97	6.43	12.7%
	300	51.51	57.87	6.36	12.3%
	400	63.68	69.16	5.48	8.6%
	500	75.85	80.45	4.60	6.1%
	600	88.02	91.74	3.72	4.2%
Median	607	88.87	92.53	3.66	4.1%
	700	100.19	103.03	2.84	2.8%
	750	106.28	108.68	2.40	2.3%
	800	112.36	114.32	1.96	1.7%
Average	837	116.86	118.87	2.00	1.7%
	900	124.53	126.61	2.08	1.7%
22% of Members use more than:	1000	136.70	138.90	2.20	1.6%
	1200	161.04	163.48	2.44	1.5%
	1400	185.38	188.06	2.68	1.4%
	1600	209.72	212.64	2.92	1.4%
	1800	234.06	237.22	3.16	1.4%
	2000	258.40	261.80	3.40	1.3%

What is more troubling about this rate increase package, however, is the impact it has on low-kWh consuming TRICO members. Referring to **Table 1**, it is noted that for all members consuming 292 kWh/month or less, the Monthly Bill Increase is 12.7-percent, or greater. Members consuming 292-kWh/month or less comprise 25% of TRICO's residential membership, more than 9,000 members. This effect is the consequence of the \$9.00/month increase in the monthly *Basic Service Charge*. This type of rate increase is unwarranted. It includes costs that are *indirect* and, accordingly, should not be included as part of a *fixed charge*.<sup>7</sup>

<sup>5</sup> Ibid., page 18

<sup>6</sup> Docket #E-01461A-15-0363, TRICO Application (October 23, 2015) – Volume 2 of 2 – Schedule H-5.0

<sup>7</sup> Docket #E-01461A-15-0363, Robert Hall Initial Brief (September 26, 2016), page 2.

**A more fair and balanced charge rate.**

**Table 2** shows calculated monthly bills as a function of the amount of kWhs consumed in a month for two cases. As in **Table 1**, the first case depicted in **Table 2**, corresponds to the Present TRICO charge rates, a \$15.00 per month *Basic Service Charge*, and a volumetric rate of \$0.1217/kWh.

The second case in **Table 2** includes a \$15.00 per month *Basic Service Charge* combined with an inclined volumetric block rate. The inclined volumetric block charge rate is \$0.1237/kWh for monthly consumption levels less 801 kWhs, and \$0.1337/kWh for consumption levels greater than 800-kWh. These charges lead to an average monthly bill of \$118.91/month, again a 1.7 % increase in the **average** monthly bill. It is further noted that these data indicate that the highest kWh-consuming 22% members are seeing at least a 2.9% bill increase. On the other hand, the lowest kWh-consuming 25% members are seeing a bill increase of 1.2%, or less. Such a charge rate, has an advantage in that it sends a price signal to members that presumably encourages them to "conserve" energy, by using less, so as not to incur the additional charges attending elevated kWh consumption.

**Table 2**  
**Impact on Customer Bill due to Existing Basic Fixed Rate and Proposed Inclined Block Rates**

INPUTS		Present TRICO Rate No Incln. Block	Alternative Proposed Inclined Block		
Charges	Units				
Basic Service Charge	(\$/Month)	15.00	15.00		
Energy Charge - tier 1 < limit	(\$/kWh)	0.1217	0.1237		
Inclining Rate Block Limit	(kWh)		800		
Energy Charge - tier 2 > limit	(\$/kWh)		0.1337		
OUTPUTS				Monthly Bill Increase	
	kWh Consumed	Monthly Bill	Monthly Bill	(\$)	(%)
	0	15.00	15.00	0.00	0.0%
	100	27.17	27.37	0.20	0.7%
	200	39.34	39.74	0.40	1.0%
25% of Members use less than:	292	50.54	51.12	0.58	1.2%
	300	51.51	52.11	0.60	1.2%
	400	63.68	64.48	0.80	1.3%
	500	75.85	76.85	1.00	1.3%
	600	88.02	89.22	1.20	1.4%
Median	607	88.87	90.09	1.21	1.4%
	700	100.19	101.59	1.40	1.4%
	750	106.28	107.78	1.50	1.4%
	800	112.36	113.96	1.60	1.4%
Average	837	116.86	118.91	2.04	1.7%
	900	124.53	127.33	2.80	2.2%
22% of Members use more than:	1000	136.70	140.70	4.00	2.9%
	1200	161.04	167.44	6.40	4.0%
	1400	185.38	194.18	8.80	4.7%
	1600	209.72	220.92	11.20	5.3%
	1800	234.06	247.66	13.60	5.8%
	2000	258.40	274.40	16.00	6.2%

**TRICO's successful past incentive supports for PVDG**

It is appropriate to acknowledge the positive role TRICO has played since 2005 in encouraging the growth of residential PVDG. Starting with their SunWatts incentive program, and continuing through the installation of their SolarFarm facility, they have helped promote PVDG to the present situation where, hopefully, useful and well-informed conversations and plans for moving forward can take place.

**Recommendations**

The following continue to be recommended:

- 1) Use the existing cost analysis data (Schedule G-6.0) and Bottom Line Accounting to determine bill charging rates.
- 2) Eliminate the use of "Lost Fixed Costs" as an accounting tool in the rate setting process; maintain the *Basic Service Charge* at \$15.00/month.
- 3) Eliminate Net Metering.
- 4) Use cost analysis data (Schedule G-6.0) and Net Billing to determine a fair rate for electricity exported by the PVDG member to TRICO (\$0.0821/kWh) for residential solar PV systems interconnected after May 31, 2016.

RESPECTFULLY SUBMITTED this 10th day of October, 2016,



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**ORIGINAL** and **13 COPIES** of the foregoing **MAILED** this 10<sup>th</sup> day of October, 2016 to:

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**COPY** of the foregoing was **MAILED** this 10<sup>th</sup> day of October, 2016 to:

Belinda Martin  
Administrative Law Judge  
Hearing Division  
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1200 West Washington Street  
Phoenix, AZ 85007

**COPIES** of foregoing electronically mailed this 26<sup>th</sup> day of September to All Parties of Record.